

ARTICLE 2

CORPORATE SEAL, EMBLEMS AND POLICIES

CHAPTER 9 BUDGET POLICY

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2-9-1 ESTABLISHMENT OF BUDGET POLICY

There is hereby established in the City a budget policy which shall be implemented by the City Manager in the orderly preparation of an annual budget.

2-9-2 POWERS AND DUTIES OF CITY MANAGER IN IMPLEMENTING BUDGET POLICY

The City Manager shall have the following powers and duties:

- A. Permit, encourage, and establish the use of efficient planning, budgeting, auditing, reporting, accounting and other fiscal management procedures in all Municipal departments, commissions and boards.
- B. Compile an annual budget in accordance with the following:
 1. The City Manager will schedule and hold budget workshops during January, February, and March each year. The workshops will be special Finance Committee of the Whole meetings and will be structured to cover topics such as revenue projections, department personnel (salaries, benefits, pensions), department contracting and material, shared services, transfers, debt service, capital plan replacement funds and other topics the City Manager, Finance Director or City Council deem appropriate. At the first scheduled

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budget workshop, the City Manager will submit a summary of projected revenues and expenditures for the annual budget. At the conclusion of the budget workshops, the City Manager will compile the results into a final proposed budget for adoption by the City Council at the first City Council meeting in April. The budget upon which the vote is taken shall be a budget in which each individual fund is balanced (except equipment replacement funds), that is, for each individual fund, the sum of all revenues and funding sources (funding sources include one time revenue and fund transfers) for each individual fund is greater than or equal to the sum of all expenditures and funding uses (funding uses include operating expenditures, fund transfers, capital expenditures, debt service payments and all other expenditures including budgeted contingencies).

If the difference between the sum of the revenue and funding sources and the sum of the expenditures and funding uses for any individual fund is negative, then certain specified fund balances or accounts may be used to bring that fund into balance.¹

Supplement A

Sample List of Fund Balance Classification that can be used to balance an individual fund budget

General Fund – Unassigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Library Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Dempster TIF Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Motor Fuel Tax Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Uptown TIF Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
IMRF Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Municipal Waste Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
911 Emergency Telephone Fund – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Debt Service 2004A GO – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Debt Service 2004B GO – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Debt Service 2005A GO – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Debt Service 2006A GO – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Debt Service 2006B GO – Assigned Fund Balance (Unreserved Fund Balance as of 4/30/11 CAFR)
Parking Enterprise – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
Water Enterprise – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
Sewer Enterprise – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
Motor Equipment Replacement Fund – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
Tech Equipment Replacement Fund – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
Library Tech Equipment Replacement Fund – Unrestricted Net Assets (Unrestricted net assets as of 4/30/11)
(Ord. 2012-04, 1/16/2012)

2. If use of fund balance to balance the budget should cause the ending unassigned fund balance of the General Fund, or assigned fund balance of any Governmental Fund or the net unrestricted assets of any Enterprise Fund to fall below 90% of the Target Fund Balance, as described in Council Policy Statement 40, then a two-thirds vote of the Aldermen shall be required to approve the budget of such fund. The budget shall contain estimates of revenues available to the City for the fiscal year for which the budget is drafted, together with recommended expenditures for the City and all of the City's departments, commissions and boards. Revenue estimates and expenditure recommendations shall be presented in a manner which is in conformity with good fiscal management practices. The budget shall contain at the budget category level,

¹ Prior to the first budget workshop, the Finance Director shall publish a schedule that includes each City Fund and the Fund Balance classification that may be used to balance the budget of that City fund. See Supplement A.

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actual or estimated revenue and expenditures for one (1) year immediately preceding the fiscal year for which the budget is prepared, long with two years' future projection. Each budget shall show the specific fund from which each anticipated expenditure should be made. The budget categories will include but not be limited to: revenue, regular salaries, overtime, medical/dental insurance, pension contributions, workers compensation, all other personnel, contractual services, commodities, capital, debt service, and transfers.

(Ord. 2012-04, 1/16/2012)

3. Revenue source changes shall include any rate or fee schedule change, additions of new revenues, and deletions of revenue sources or other major financing policy issues.
4. Once the budget is approved, revenues and expenditures shall be monitored on a regular basis and adjustments made in spending if revenues are less than projected. The City Manager shall provide monthly reports to the City Council and the City Council shall review and act on all significant proposed spending adjustments that result in service changes.
(Ord. 2010-81, 11/15/2010)
5. Examine all books and records of all Municipal departments, commissions, and boards, which relate to monies received by the City, City departments, and commissions and boards, and paid out by the City, City departments, commissions and boards, debts and accounts receivable, amounts owed by or to the City, City departments, commissions and boards.

D. Obtain such additional information from the City, City departments, commissions and boards as may be useful for purposes of compiling a City budget, such information to be furnished by the City, City departments, commissions and boards in the form required by the City Manager. Any department, commission or board which refuses to make such information as is requested of it available to the City Manager shall not be permitted to make expenditures under any subsequent budget for the City until such City department, commission or board shall comply in full with the request of the City Manager.

E. Establish and maintain such procedures as shall insure that no expenditures are made by the City, City departments, commissions or boards except as authorized by the budget.

2-9-3 RESERVED

(Ord. 2012-04, 1/16/2012)

2-9-4 PASSAGE OF ANNUAL BUDGET, EFFECT

Passage of the annual budget by the corporate authorities shall be in lieu of passage of an appropriation ordinance. The annual budget need not be published except in a manner provided in Section 2-9-8 herein. The annual budget shall be adopted by the corporate authorities before the beginning of the fiscal year to which it applies. Subsequent to the passage of the budget, an ordinance shall establish the property tax assessment provided for in the approved budget.

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2-9-5 CAPITAL IMPROVEMENT, REPAIR OR REPLACEMENT FUND

Monies may be accumulated in a separate fund for the purpose or purposes of specific capital improvements, repair and/or replacements of specific types of municipal equipment or other tangible property both real and personal, to be designated as the "Capitol Improvement, Repair or Replacement Fund". Expenditures from the Capital Improvement, Repair or Replacement Fund shall be budgeted in the fiscal year in which the capital improvement, repair or replacement will occur. As of fiscal year ending 2012, the City maintains two capital repair or replacement funds: the Technology Replacement Fund; and the Motor Equipment Replacement Fund.

(Ord. 2012-04, 1/16/2012)

2-9-6 REVISION OF ANNUAL BUDGET

If new elected officials are elected and then are installed during the first thirty (30) days of a fiscal year, the corporate authorities may, by majority vote, revise the annual budget by deleting departments or objects or by adding to or subtracting from departments or objects. An example of a Department is 1021 – Administration. An example of an object is 910000 – Regular Salaries. An expense line item within the budget is defined as dollar amount budgeted using a combination of a Fund (ex. 100), a Department (ex. 1021), and an Object Code (ex. 910000). An example of the complete line item is 100-1021-910000.

During the fiscal year, the City Manager may revise the Expense/Expenditure budget for any individual Fund only as follows: by (1) deleting funding for departments or objects; (2) adding funding to departments or objects; or (3) changing departments or objects. Such revisions shall follow the procedure set forth below:

If a purchase order encumbrance or a manual journal entry causes the respective total fund-department-object budget amount to be exceeded, the following procedure will be applied: [The MUNIS report, "YTD Budget Report" will be used to monitor compliance (see report example below).]

1. Determine if this or another already existing purchase order encumbrance can be reduced. If such a purchase order reduction can be achieved, such that the total fund-department-object budget is no longer exceeded, the reduction should be processed and a budget transfer is not required.
2. If reduction cannot be accomplished pursuant to (1) above, then a budget transfer between or among line items is required. The budget transfer must cause the total fund-department-object budget to equal or exceed the total fund-department-object encumbered incurred expenses. (The column labeled "Remaining" in the YTD budget report must be greater than or equal to 0.)
3. If a budget transfer is required as in (2) above but a line item to move the funds "From" cannot be identified and/or is not available, then Council Policy Statement 21 – Unbudgeted Expenditures, which governs the transfers from Contingency Funds, shall apply. If no Contingency Funds are budgeted or available, a revision of the budget must be presented to and approved by the Committee of the Whole at a Finance Committee meeting and approved by the City Council.

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MUNIS Report Example

ACCOUNTS FOR: 100 GENERAL FUND	ORIGINAL ESTIM REV	REVISED EST REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	PCT COLL
940100 TELECOMMUNICATIONS						
1025 INFORMATION TECHNOLOGY	33,871	33,871.00	3,241.84	3,241.84	-386.04	9.6%
1031 FINANCE ADMINISTRATION	5,250	5,250.00	599.29	599.29	150.00	11.4%
2011 POLICE ADMINISTRATION	21,200	21,200.00	2,115.15	2,115.15	1,200.00	10.0%
2021 FIRE ADMINISTRATION	19,827	19,827.00	1,340.41	1,340.41	8,420.04	6.8%
3011 PUBLIC WORKS ADMIN	7,260	7,260.00	787.30	787.30	560.04	10.8%
3024 STREET MAINTENANCE	3,600	3,600.00	411.28	411.28	99.96	11.4%
4011 CPD ADMINISTRATION	8,900	8,900.00	998.82	998.82	400.04	11.2%
TOTAL TELECOMMUNICATIONS	117,873	117,873.00	11,607.82	11,607.82	12,617.81	9.8%

Expanded Illustration of Overrun

Fund/Dept	Object	Object Desc	PO #	Vendor	Budget	PO Amt	Incurred	Remaining
1001025	940100	Telecommunications	130330	CALL ONE		\$9,257.04	\$1,087.78	
1001025	940100	Telecommunications	130201	VERIZON WIRELESS		\$25,000.00	\$2,154.06	
					\$33,871.00	\$34,257.04	\$3,241.84	(\$386.04)

All budget transfers are processed in Finance.

The budget transfer form can be found in Word templates, “_BUDGTRANS”.

For budget transfers requiring Finance Committee approval, the transfer must be routed to the various Departments and City Manager’s office. The last Department to receive the transfer is Finance. Finance will coordinate placing budget transfers on Committee of the Whole agendas.

Intra-Departmental Budget Transfer same Object Code

Process this type of transfer if you want to leave the money in the same object code but need it transferred to a different department within the same fund.

Example: From: Fund 100 – Department 1024 – Object 940100 Telecommunications
To: Fund 100 – Department 1025 – Object 940100 Telecommunications

Signature requirement for transfers of all dollar values - Department Head, City Manager, and Finance Director.

Intra-Departmental Budget Transfer different Object Code

Process this type of transfer if you want to move the money to a different object code and a different department within the same fund.

Example: From: Fund 100 – Department 1024 – Object 940100 Telecommunications
To: Fund 100 – Department 3071 – Object 940200 Tree Trimming

Signature requirement for transfers <=\$1,000 - Department Head, City Manager, and Finance Director.

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Signature requirement for transfers >\$1,000 - Department Head, City Manager, Finance Director, and Finance Committee.

Inter-Departmental Budget Transfer different object

Process this type of transfer if you want to leave the money in the same department but need it transferred to a different object code within the same fund.

Example: From: Fund 100 – Department 1031 – Object 941600 Audit
To: Fund 100 – Department 1031 – Object 940100 Telecommunications

Signature requirement for transfers <=\$10,000 - Department Head, City Manager, and Finance Director.

Signature requirement for transfers >\$10,000 - Department Head, City Manager, Finance Director, and Finance Committee.

(Ord. 2012-04, 1/16/2012) (Ord. 2012-43, 9/04/2012)

2-9-7 RESERVED

(Ord. 2012-04, 1/16/2012)

2-9-8 PUBLIC INSPECTION, NOTICE AND HEARING ON BUDGET

The corporate authorities shall make the tentative annual budget conveniently available to public inspection for at least ten (10) days prior to passage of the annual budget, by publication in such form as the corporate authorities may prescribe. Not less than one week after the publication of the tentative annual budget, and prior to final action on the budget the corporate authorities shall hold at least one public hearing on the tentative annual budget after which hearing or hearings the tentative budget may be further revised and passed without further inspection, notice or hearing. Notice of this hearing shall be given at least one week prior to the time of the hearing by publication in a newspaper having a general circulation in the Municipality.

2-9-9 CONTRACT AWARDS AND APPROVALS

A. Purpose. The purpose of this Section is to establish the legal standards for the procurement of goods and services.

B. City Council Approval. Except as set forth in subsection C, all purchases of goods and services must be approved by the City Council and accomplished pursuant to the methods set forth in either paragraph 1 or paragraph 2 of subsection D.

C. Purchase Exceptions. As the sole exceptions to the requirement of B above, the following are authorized to approve expenditures in the amounts set forth below:

1. Department Head - \$2,500.00 or less.
2. Finance Director - \$5,000.00 or less.
3. City Manager - \$10,000.00 or less.
4. City Council - \$20,000.00 or less.

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Purchasing as set forth in paragraphs 1 – 4 above, may be accomplished only in accordance with the following:

- a. The annual budget provides for such purchase; and
- b. It is done pursuant to one of the selection methods set forth in subsection D; and
- c. Procurement is not artificially divided in order to qualify for such purchasing.

D. Source Selection Methods.

Selection of a source or sources for goods and services must be accomplished in one of the following methods:

1. **Invitation to Bid.** When the specifications are readily understood and the product and market are well known and readily obtainable, this is the preferred method of selecting a source of goods and services for the City.

2. **Request for Proposal (RFP).** Requests for proposals may be used as an alternative to an invitation to bid when factors other than price are a necessary consideration. Such factors may include service, rapidly changing technology, the experience of the staff and/or potential vendors or other matters of significance to management or the City Council. This method of selection requires sealed competitive proposals in the same manner as an Invitation to Bid. However, no contract will be formed or awarded pursuant to an RFP until the staff has submitted a written recommendation to the City Manager or the City Council, whichever is required by this Section 2-9-9.

3. **Informal Solicitation.** An informal competitive solicitation process may be used for purchases of goods and services where it is not anticipated that the expenditure will exceed \$20,000. The difference between this method and those set forth in (1) and (2), is that the solicitation may be made by direct contact rather than publication for bids. No contract may be awarded pursuant to this method unless at least three bids are received. In all instances, the normal procurement approval process must be followed.

4. **Request for Qualifications (RFQ).** Requests for qualifications may be used when a particular service; i.e. legal, architectural or engineering, requires a high degree of professional training and experience.

5. **Fuel Purchase Agreements.** It is recognized that the purchase of fuel for city vehicles must be purchased many times throughout the course of a fiscal year. The City does not have the storage capacity to make such purchases on an annual basis and the price for commodities may fluctuate significantly throughout the year. For this reason, the Director of Public Works may make such fuel purchases as are, from time to time, reasonably necessary and in the best economic interests of the City. Such purchases may exceed \$20,000. The Director must solicit proposals from not less than 3 sources and must report such purchases, in writing, to the City Manager within 24 hours of the purchase. The

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City Council may by majority vote, at any time remove such authority from the Director without prior amendment to this Code.

6. Declaration of Emergency. Upon a written declaration of an emergency, and with the written consent of the Mayor, the City Manager is authorized to expend such funds as may be necessary to address an immediate and present danger to the public health, safety or welfare or other circumstance that presents the potential for substantial loss to the City or its residents. If the Mayor is unavailable and the expenditure is \$50,000 or less, the written declaration and approval of any two of the following: City Manager, Police Chief, Fire Chief or Public Works Director; shall be sufficient. If the Mayor is unavailable and the expenditure does or is anticipated to exceed \$50,000, then the written declaration and approval of the City Manager and any two of the above stated persons is required.

E. Rules for Bid Acceptance.

1. Rejections. In all cases, the City Council shall have the right to reject any and all bids and to reject any and all staff award recommendations.

2. Sole Bidder. When only one bid is received, an award may be made to such bidder only if it is determined that: a) the price submitted is fair and reasonable; b) other prospective bidders had a reasonable opportunity to respond; and c) the bidder is both responsive and responsible. A two-thirds vote of the City Council will be required to approve such an award. In making this determination, the Council may consider whether or not there is adequate time for a re-bidding.

3. Contracts for Greater than Twelve Months. Subject to state law, award of a contract for goods or services with an initial term of more than one year will also require a two-thirds vote of the City Council for approval. However, an option to renew or extend a pre-existing contract for up to one year may be approved by a simple majority vote, provided that the conditions of renewal or extension were included in the original bid solicitation and funds were available for the first fiscal period at the time of the original contract award.

4. Bidding Alternate Goods and Services. Bids that offer equivalent but alternative and more economical services, supplies or materials than those set forth in the original specification are encouraged by the City. When an alternative appears to be more advantageous to the City than the original specification, re-bidding may be recommended with the modified specifications.

F. Waiver of Competitive Selection for Contracts Over \$20,000. With the approval of 2/3 of the City Council, contracts which by their nature are not amenable to the competitive selection process, including the following, may be entered into without competitive bids or proposals:

1. Utility services, including electric, gas, water or telecommunication services.
2. A purchase of goods or services from another governmental entity.

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- 3. A purchase of goods or services through a recognized governmental cooperative joint purchasing program (i.e. State of Illinois, Northwest Municipal Conference, M.A.B.A.S., etc.)

- G. Sole source procurement in excess of \$2,500.00 for non-emergency purchases of goods and services is not permitted.

- H. Consistency with City Policy on Procurement Rules and Requirements.

Unless specifically stated otherwise by an appropriate resolution or ordinance; all procurement shall be consistent with the City of Park Ridge Procurement Rules and Requirements as from time to time may be published by the Director of Finance and approved by the City Council. In the case of discrepancy between such rules and this Code, this Code shall prevail.

(2014-62, 11/17/2014)

2-9-10 PAYMENT OF BILLS

All bills for goods or services rendered to the City shall be paid within ninety (90) days of receipt unless within that time period the vendor is notified that a dispute exists as to the quality or quantity of goods or services furnished or the amount due therefor, or unless the contract for furnishing such goods or services otherwise provides. Whenever reasonably possible, such bills shall be timely paid so as to take advantage of any price reduction for prompt payment. No interest or other late payment penalty shall be added to such bills.

COUNCIL POLICY STATEMENT

Policy No. 17
General Subject: Finance
Specific Subject: Budget Procedures
Date Approved: September 4, 1984

PURPOSE

To set forth the role and responsibilities of standing committees in regard to the annual budget.

RATIONALE

The City Code and Budget Policy set forth the authority and responsibility of the City Manager to prepare and submit an annual budget to the City Council. Thereupon, it is the job of the City Council to determine and approve the final programs of services and related budgets together with the allocation of revenues. The budget is the most significant policy document adopted by the City Council each year.

Deliberation of the overall budget proposals shall be performed in sessions of the Council Committee-of-the-Whole. Prior thereto, each standing committee shall have the opportunity to study the proposals involving new and major changes to the committee's area of responsibility. (See attached excerpt from the Practices and Procedures Manual.) These deliberations will enhance the awareness and understanding of committee members and place them in a position to advise the Committee-of-the-Whole.

STATEMENT OF POLICY

1. The proposed budget shall be submitted separating the base budget from new and major programs and revenue source changes.
2. The base budget shall include the cost estimates of continuing to operate the City with the same service level as in the previous year. It shall include anticipated salary levels, increased costs of commodities and contractual services, and normal equipment replacements and equipment needs to continue prior service levels. Revenues shall be projected with anticipated growth without any source changes or rate changes other than the property tax rate.

3. New programs shall include major changes in service levels, increased services or deleted services.
4. Revenue source changes shall include any rate or fee schedule change, additions of new revenues, and deletions of revenue sources or other major financing policy issues.
5. Prior to discussion of new programs and revenue source changes at the Committee-of-the-Whole level, these new and major programs shall be reviewed with the committees most directly involved with the service area. The revenue source changes shall be reviewed by the Finance Committee. The committees should be prepared to make a recommendation to the Committee-of-the-Whole but shall not have veto power.

EXCERPT FROM PRACTICES AND PROCEDURES MANUAL (JANUARY 1983)

The City Council may establish standing committees or special ad hoc committees as may best serve the Council's needs and interest, or the Council may meet as a Committee-of-the-Whole to study particular issues. At the present time, there are four standing committees: Public Works and Services, Finance and Budget, Procedures and Regulations, and Public Safety.

1. The purpose of the Public Works and Services Committee is to consider all matters of policy relating to:
 - a) capital improvements and the construction or maintenance of public works;
 - b) the provision of services through the functions of public works, including streets, sidewalks, water, sewer, sanitation, lighting, forestry services, parking lot construction, refuse collection and public buildings and grounds.
2. The Finance and Budget Committee considers policy questions regarding revenues and expenditures, budgets and appropriations, personnel, special assessment collections, and tax collections.
3. The Procedures and Regulations Committee is charged with considering all matters of policy related to the general health and welfare of the community, including:
 - a) The review of legal proceedings and many ordinances and resolutions;
 - b) The review of enforcement issues relating to ordinances and resolutions;
 - c) The review of coordination of activities involving the Council, its standing or special committees, and boards or commissions;
 - d) The review of other matters, which do not fall clearly within the realm of another official advisory body.
4. The Public Safety Committee is charged with considering all matters of policy related to the safety of the community.